



HF 2464 – Sales Tax Rebate for Raceway (LSB 6184HV)

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Fiscal Note Version – Corrected

Description

House File 2464 provides a sales tax rebate for an eligible raceway facility. Provisions in this Bill include:

- The cumulative rebated amount will be based on 25.0% of total eligible project costs or \$2.0 million, whichever is less. Additionally, the rebated amount will be based on 5.0% of taxable sales and will not include any sales tax designated for the Secure an Advanced Vision for Education (SAVE) Fund or local option sales tax (LOST).
- The rebated amounts are for transactions that occur between January 1, 2015, and December 31, 2024. The provision will be repealed June 30, 2025, or 30 days following the fulfillment of the sales tax rebate amount, whichever occurs first.

Background

Based on the specific eligibility requirements for a raceway facility noted in this Bill, the only raceway that will qualify for this sales tax rebate is the Knoxville Raceway.

Assumptions

Assumptions include:

- Project construction will begin in early 2015 and will be completed in the last quarter of calendar year 2016. Total cost of the project will be \$8.0 million and it is assumed that 50.0% of the project costs will be subject to sales tax. The amount of sales tax from project costs eligible to be rebated will be paid in FY 2017.
- Based on research of similar raceways, it is estimated that eligible taxable sales in FY 2014 will be approximately \$2.8 million. This amount is anticipated to increase 3.8% in FY 2015, 4.3% in FY 2016, 3.9% in FY 2017, and 3.0% in future fiscal years. Additionally, the estimate assumes that upon project completion, taxable sales will increase an additional 10.0% in FY 2018, FY 2019, and FY 2020.
- The amount of sales tax rebated will be 5.0% of taxable sales and the rebate will not include any SAVE funds or LOST.
- The Department of Revenue will incur additional costs for administration of the provisions of this Bill. The Department will incur a one-time start-up cost for implementation and on-going costs for staff support to administer and monitor the provisions of this Bill.

Fiscal Impact

The total maximum fiscal impact will be a sales tax rebate amount of \$2.0 million. However, any eligible project costs of less than \$8.0 million will reduce the rebated amount. Additionally, the actual timing and specific rebate amounts by fiscal year are currently unknown. Based on the assumptions noted above, the following table provides an estimate of the annual reduction of General Fund revenues resulting from the sales tax rebate amounts.

Estimated General Fund Impact

	Estimated Sales Tax Rebated	Cumulative Amount
FY 2015	\$ 72,660	\$ 72,660
FY 2016	151,569	224,229
FY 2017	357,480	581,709
FY 2018	178,425	760,133
FY 2019	202,155	962,289
FY 2020	229,042	1,191,331
FY 2021	235,913	1,427,244
FY 2022	242,991	1,670,234
FY 2023	250,280	1,920,515
FY 2024	79,485	2,000,000
FY 2025	0	2,000,000

In addition to the sales tax rebate amounts, the Department of Revenue will require \$42,000 in administrative costs in FY 2015 and \$18,000 in future fiscal years until the expiration of this provision.

Source

Iowa Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
